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Inter-Provincial Diversified
Holdings Limited

1974 ANNUAL REPORT

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President

William Zimmerman
Secretary

Board of Directors

Joseph Philip Dawson

Joseph Frieberg

Murray Frieberg

Thomas Herbert Gooch

Murray Joseph Howe

Robert Scolnick

William Hewson Zimmerman

Trustees

The Canada Trust Company
7½% Subordinated Debentures

Auditors

Thorne Riddell & Co.
Toronto, Ontario

Head Office

Hwy. #7 and Keele Street
Concord, Ontario

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	1974	1973
Income	\$ 155,516	\$ 300,379
Earnings:		
Before extraordinary items	834,413	43,362
Extraordinary items	275,126	1,168,129
Net earnings	1,109,539	1,211,491
Earnings per share:		
Before extraordinary items	71¢	4¢
Net earnings	95¢	1.04
Total assets	7,336,116	5,519,045
Shareholders' equity	5,212,358	4,181,649
Common shares outstanding	1,180,251	1,160,251
Equity per common share	4.42	3.26

RESOLUTE HOLDINGS LIMITED

Twelve Months Ended November 30

Sales	\$ 5,907,271	5,545,741
Net Earnings	195,593	(35,755)

STEINTRON INTERNATIONAL ELECTRONICS LTD.

Twelve Months Ended July 31

Sales	\$27,613,368	\$18,738,805
Net Earnings	1,161,470	928,607

UNITED TIRE & RUBBER CO. LIMITED

Twelve Months Ended December 31

Sales	\$27,100,267	\$18,545,532
Net Earnings	1,795,471	287,129

To our Shareholders

The year 1974 was a record year for the Company and its affiliates all of which enjoyed record sales and earnings. Income before extraordinary items was \$834,413 compared to \$43,362 in 1973. Net income for the year was \$1,109,539 compared to \$1,211,491 in 1973 when an extraordinary gain of \$1,099,374 was made on the sale of the Company's interest in Western Aluminum Products.

United Tire & Rubber Co. Ltd. increased sales to \$27,100,267 from \$18,545,532, an increase of 46%. Net earnings before extraordinary income increased to \$1,420,971 compared to \$100,691 in 1973. United's 1975 results will reflect the effects of the current recession and the earnings for the first half of the year will not compare favourably with the same period in 1974. However, United expects an improvement in the second half of the year if the economy recovers as anticipated. The last half of the year will also benefit from the effects of increased capacity and expanded marketing programs. United designs, manufactures, retreads and services tires for the mining, forestry, construction, and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

Steintron International Electronics Ltd. increased sales to \$27,613,368 for the 12 months ended July 31, 1974 from \$18,738,805 for the same period in 1973, an increase of 47.4%. In order to coincide with our fiscal period Steintron altered its year end to December 31, and for the five months ended December 31, 1974 sales were \$16,335,156. Net earnings before extraordinary items for the 12 months ended July 31, 1974 were \$852,048, and for the five months ended December 31, 1974 were \$345,279. Steintron operates a total of 12 House of Stein stores and 20 Kelly Stereo Mart stores, and in addition operates 28 franchised stores. This is the largest network of fully integrated audio and record stores in Canada. We expect Steintron's rapid growth rate to continue in 1975.

Resolute Holdings Limited increased sales to \$5,907,271 for the 12 months ended November 30, 1974 from \$5,545,741 for the same period in 1973, an increase of 6.5%. Net earnings before extraordinary items for the 12 months ended

November 30, 1974 were \$176,419 compared to a loss of \$35,755 in 1973. The measures which we discussed in last year's report to restructure all of Resolute's importing divisions have been completed. The strength of the incoming orders for this year indicates a further improvement for fiscal 1975. Operating under the trade name of HOWMARK, Resolute is one of Canada's largest importer of footwear.

A wholly-owned subsidiary of the Company entered into a partnership with an Edmonton-based real estate company, Tri-North Developments Ltd., to develop and subdivide industrial, commercial, and residential lots in Grande Prairie, Alberta. The partnership has purchased 338 acres in this fast growing city and has recently serviced and made ready for sale 53 acres of industrial and commercial land. We are optimistic about the profit potential of this venture.

We recognize that 1975 will be a year of challenge. We intend to move aggressively with programs designed to enhance the growth and profitability of our affiliates, but we will temper our aggressiveness with a realistic appraisal of the uncertain economic climate. The first half of 1975 will be our hardest period and our earnings will not compare favourably to the comparable period in 1974. The last half should see improvement as we believe the economy will be entering its recovery phase.

Beyond 1975 we are confident that we can expect continued sales and earnings growth. We face our long-term future with optimism generated by the belief that the sound forward planning of our affiliates and their fine organization of people will provide an excellent base for continued growth.

Joseph Frieberg
President

Robert Scolnick
Vice-President

June 10, 1975

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Consolidated Statement of Income

Year ended December 31, 1974 (with comparative figures for 1973)

	1974	1973
Income (note 6)		
Preference dividends	\$ 17,500	\$ 4,811
Interest and other income	138,016	295,568
	<u>155,516</u>	<u>300,379</u>
Expenses		
Interest on long-term debt	182,005	84,637
Depreciation and amortization	2,822	5,098
Other expenses	169,307	150,107
	<u>354,134</u>	<u>239,842</u>
	(198,618)	60,537
Income taxes (recoverable)	(34,241)	36,430
	<u>(164,377)</u>	<u>24,107</u>
Share of earnings (losses) of effectively controlled companies before extraordinary items		
Resolute Holdings Limited	66,882	(17,878)
United Tire & Rubber Co. Limited	553,298	37,133
Steintron International Electronics Ltd. (note 6)	378,610	
	<u>998,790</u>	<u>19,255</u>
Income before extraordinary items	<u>834,413</u>	<u>43,362</u>
Extraordinary items		
Gain on sale of interest in Western Aluminum Products		1,099,374
Share of extraordinary earnings of effectively controlled companies (note 7)		
Resolute Holdings Limited	9,587	
United Tire & Rubber Co. Limited	145,337	68,755
Steintron International Electronics Ltd.	120,202	
	<u>275,126</u>	<u>1,168,129</u>
Net income for the year	<u>\$ 1,109,539</u>	<u>\$ 1,211,491</u>
Earnings per share (note 8)		
Income before extraordinary items	\$.71	\$.04
Net income for the year	\$.95	\$ 1.04

Consolidated Statement of Retained Earnings

Year ended December 31, 1974 (with comparative figures for 1973)

	1974	1973
Balance at beginning of year	\$ 2,586,451	\$ 634,448
Net income for the year	<u>1,109,539</u>	<u>1,211,491</u>
	<u>3,695,990</u>	<u>1,845,939</u>
Company's share of capital transactions and prior period adjustments of effectively controlled companies		58,240
	<u>3,695,990</u>	<u>1,787,699</u>
Excess of partnership interest over net tangible assets realized on sale of partnership		798,752
Balance at end of year	<u>\$ 3,695,990</u>	<u>\$ 2,586,451</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(incorporated under the laws of Ontario) and subsidiary company

Consolidated Balance Sheet — December 31, 1974

(with comparative figures at December 31, 1973)

ASSETS

Current Assets

Cash and short term deposit	\$ 525,000	\$ 690,000
Accrued interest, dividends and accounts receivable	64,635	19,292
Marketable securities, at cost (quoted market value \$176,610)	184,050	
Principal due within one year on 9% debentures	95,000	95,000
	<u>868,685</u>	<u>804,292</u>

Mortgages and Loans receivable

105,275

Investments

Common shares of effectively controlled companies, at equity value (note 2)

Resolute Holdings Limited	335,329	258,860
United Tire & Rubber Co. Limited	1,915,803	1,217,168
Steintron International Electronics Ltd.	3,067,453	2,043,782

Preference shares of United Tire & Rubber Co. Limited, at cost

250,000 250,000

Debentures, at cost

United Tire & Rubber Co. Limited, 9%, maturing to June 1, 1981 (less principal included in current assets)

472,500 567,500

Indal Canada Limited, 9½%, convertible maturing March 1, 1980

250,000 250,000

Partnership, I.C.D.-Tri-North Developments, at cost

147,000

Other investments, at cost

20,000 10,000

6,458,085 4,597,310

Fixed Assets

Automobile, office equipment and leasehold improvements, at cost

71,935 71,935

Less accumulated depreciation and amortization

62,589 59,767

9,346 12,168\$ 7,336,116 \$ 5,519,045

Approved by the Board

Director *Joseph Frieberg*Director *Robert Scolnick*

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(incorporated under the laws of Ontario) and subsidiary company

Consolidated Balance Sheet — December 31, 1974

(with comparative figures at December 31, 1973)

LIABILITIES

Current Liabilities

Bank advances (note 3)	\$ 253,980	\$ 376,720
Accounts payable and accrued liabilities	49,778	59,158
Income taxes payable		70,518
Principal due within one year on long-term debt	220,000	305,000
	<u>523,758</u>	<u>811,396</u>

Long-Term Debt (notes 3 and 4)

1,600,000	526,000
<u>1,600,000</u>	<u>526,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 5)

Second preference shares	350,000	400,000
Common shares	1,245,198	1,195,198
	<u>1,595,198</u>	<u>1,595,198</u>

Retained Earnings

1,595,198	1,595,198
3,695,990	2,586,451
<u>5,291,188</u>	<u>4,181,649</u>

Deduct cost of company's common shares purchased
(31,900 shares, including tax applicable
thereto of \$9,200)

78,830	
<u>5,212,358</u>	<u>4,181,649</u>

\$ 7,336,116	\$ 5,519,045
<u>\$ 7,336,116</u>	<u>\$ 5,519,045</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1974 (with comparative figures for 1973)

	1974	1973
Working capital derived from		
Income before share of earnings of effectively controlled companies and extraordinary items		\$ 24,107
Depreciation and amortization not involving working capital		5,098
Proceeds from sale of interest in Western Aluminum Products		29,205
Issue of common shares on conversion of second preference shares	\$ 50,000	2,891,000
Increase in long-term debt	1,160,000	
Withdrawal of funds from partnership		275,000
Decrease in non-current portion of 9% debenture receivable	95,000	101,250
Decrease in mortgages receivable	105,275	386
	<u>1,410,275</u>	<u>3,296,841</u>
Working capital applied to		
Loss before share of earnings of effectively controlled companies and extraordinary items	164,377	
Depreciation and amortization not involving working capital	(2,822)	
Dividends received from Steintron Electronics Ltd.	(87,339)	
	<u>74,216</u>	
Purchase of company's common shares	78,830	
Reduction in non-current portion of long-term debt	86,000	310,000
Mortgages and loans receivable		100,000
Investments	769,198	2,506,073
Second preference shares	50,000	50,000
	<u>1,058,244</u>	<u>2,966,073</u>
Increase in working capital position	352,031	330,768
Working capital deficiency at beginning of year	7,104	337,872
Working capital (deficiency) at end of year	<u>\$ 344,927</u>	<u>\$ (7,104)</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Notes to Consolidated Financial Statements

Year ended December 31, 1974

1. Basis of consolidation

The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and its wholly owned subsidiary company, I.C.D. Realty Limited.

2. Effectively controlled companies

The company owns 50% of the issued common shares of Resolute Holdings Limited.

United Tire & Rubber Co. Limited

The company holds 1,028,400 common shares of United Tire & Rubber Co. Limited which represents a 41% interest. 420,000 of these shares are held in escrow and will not be released without the prior written consent of the Ontario and Quebec Securities Commissions.

Steintron International Electronics Ltd.

The company purchased in 1973, 283,650 of the issued and outstanding shares of Steintron International Electronics Ltd. and in 1974 purchased an additional 94,165 shares. The company's holdings at December 31, 1974 amount to approximately 52% of the issued shares of Steintron. Subsequent to December 31, 1974 the company has acquired an additional 12,900 shares, thereby increasing its interest to approximately 54%.

In 1973 the company entered into an agreement whereby it pooled its shares in a voting trust. Because the company is therefor restricted in its ability to elect a majority of directors and to operate Steintron as a subsidiary, it is considered that the consolidation of Steintron's accounts with those of the company is not appropriate.

The company's equity includes the excess of its cost over the underlying net book value of the investees' assets at the dates of acquisition, in the following amounts:

Resolute Holdings Limited	\$ (40,093)
United Tire & Rubber Co. Limited	245,492
Steintron International Electronics Ltd.	319,584

3. Bank advances and loan

The bank advances and loan are secured by a general assignment of book debts, marketable securities, the common shares representing the company's interest in Resolute Holdings Limited, United Tire & Rubber Co. Limited and Steintron International Electronics Ltd. and the debentures of United Tire & Rubber Co. Limited and Indal Canada Limited owned by the company.

4. Long-term debt	1974	1973
7½% Sinking fund debentures, maturing November 1, 1975	\$ 70,000	\$171,000
Bank loan	1,750,000	660,000
	1,820,000	831,000
Less principal included in current liabilities	220,000	305,000
	<u>\$1,600,000</u>	<u>\$526,000</u>

Payments are to be made on the bank loan on May 1 of each year as set out below:

1975	\$ 150,000
1976	150,000
1977	250,000
1978	250,000
1979	950,000
	<u>\$1,750,000</u>

Interest is payable on \$300,000 of the bank loan at the prime rate and on the balance at the rate of 2% over prime.

5. Capital Stock

Authorized

40,000	First preference shares of \$100 par value, issuable in series
350,000	Convertible second preference shares of \$1 par value
10,000,000	Class A shares without par value
2,040,000	Common shares without par value

Issued

	1974	1973
350,000	Second preference shares (1973, 400,000 shares) \$ 350,000	\$ 400,000
1,180,251	Common shares (1973, 1,160,251 shares)	
	<u>1,245,198</u>	<u>1,195,198</u>
	<u>\$1,595,198</u>	<u>\$1,595,198</u>

The company is required on or before April 30 in each year to set aside as a redemption fund for the redemption of second preference shares an amount equal to 10% of the aggregate par value of second preference shares issued. The aggregate par value of shares purchased for cancellation or converted into common shares shall be applied as a credit in satisfaction in whole or in part of any redemption fund payment. The second preference shares are conver-

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

and subsidiary company

Notes to Consolidated Financial Statements (Continued)

Year ended December 31, 1974

tible on the basis of two common shares for each five second preference shares. The company is required to redeem second preference shares to the extent that 50,000 second preference shares are not converted in each year.

In 1974, 50,000 second preference shares were converted into 20,000 common shares, thereby reducing the authorized second preference shares by 50,000 shares and increasing the authorized common shares by 20,000 shares.

In 1973, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares by 50,000 shares.

The following options on common shares are outstanding:

- 15,000 shares at \$4 per share exercisable at the rate of 5,000 shares on May 1, in each of the years 1975 to 1977.
- 5,000 shares at \$4.50 per share exercisable within the period ending June 14, 1979.
- 25,000 shares at \$2.05 per share, with 5,000 shares becoming available on October 24 each year up to 1977. The option as to all the shares not theretofore purchased terminates on October 24, 1978.

6. Income

	<u>1974</u>	<u>1973</u>
Received from United Tire & Rubber Co. Limited		
Preference dividends	\$ 17,500	\$ 4,811
Interest	55,984	54,495
Other interest and miscellaneous income	82,132	241,073
	<u>\$155,616</u>	<u>\$300,379</u>

Common dividends of \$87,339 were received in 1974 from Steintron International Electronics Ltd. The company accounts for its investment in Steintron on the equity basis and accordingly the company's share of earnings for the year increased the carrying value of the investment and the dividends received reduced the carrying value.

7. Extraordinary items

The extraordinary income of the effectively controlled companies arose from reductions of income taxes on application of prior years losses and in 1974 includes a gain on sale of fixed assets by Steintron.

8. Earnings per share

Fully diluted earnings per share assuming conversion of the second preference shares and exercise of the share options:

Income before extraordinary items	\$56
Net income for the year	\$75

9. Contingent liabilities

With respect to certain debts of Resolute Holdings, the company is contingently liable as guarantor as follows:

Bank loans	\$ 50,000
Letters of credit	304,548

The company has also agreed to guarantee bank advances to I.C.D.-Tri-North Developments up to a maximum of \$250,000.

10. Other statutory information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$107,700 (1973, \$84,275).

Auditors' Report

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited and subsidiary company as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination for Inter-Provincial Diversified Holdings Limited and subsidiary company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 18, 1975

Thorne Riddell & Co.
Chartered Accountants

SIX YEAR FINANCIAL REVIEW

	1974	1973	1972	1971	1970	1969
Resolute Holdings Limited						
Sales	\$ 5,907,271	\$ 5,545,741	\$ 5,334,871	\$ 5,014,687	\$ 4,207,210	\$ 4,348,239
Earnings before extraordinary items	176,419	(35,755)	(38,260)	56,651	65,325	39,399
Net earnings	195,593	(35,755)	(87,348)	56,651	65,325	39,399
Steintron International Electronics Ltd.						
Sales	27,613,368	18,739,000	13,998,000	7,403,000	5,408,000	3,347,000
Earnings before extraordinary items	852,048	723,000	429,000	221,000	383,000	328,000
Net earnings	1,161,470	929,000	654,000	221,000	383,000	328,000
United Tire & Rubber Co. Limited						
Sales	27,100,267	18,545,532	16,382,295	15,949,150*	14,951,096	12,255,851
Earnings before extraordinary items	1,420,971	100,691	(422,137)	432,271	263,499	249,234
Net Earnings	1,795,471	287,129	(1,228,979)	432,271	263,499	249,234

*11 months



Inter-Provincial Diversified
Holdings Limited